

'Stock stampede coming and it's no bull'

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Managing director Tan Teng Boo believes that stock markets have bottomed "a few months ago" and that the global economy is on course to a V-shaped recovery.

"The global stock markets are on a major bullish reversal," he told reporters yesterday at the launch of a global unit trust fund.

Economic data in almost every part of the world, including the US, is beginning to look much more positive, he said. Yet, investor sentiment has continued to remain negative. "I've never seen so much pessimism in my life. I want to go on the record as being bullish, amid pessimism," he remarked.

Tan emphasised that this is not a bear market rally that the world is seeing. With economic fundamentals improving, global fund management firms will realise that if they don't start investing soon, they'll be under-performing the market. They then start to panic-buy, he said, and this sets the stage for sustainable market rally.

"The current stock market rally will be sustained by the institutional lemmings which are still loaded with cash and the banking giants which have too much hoarded liquidity," he said.

The same will happen in Malaysia, but here, there is the complicating factor of political uncertainty in certain states, he said.

"Politically, Malaysia is still in a very uncertain phase, but what will help the stock market is the global economic recovery," he added.

He thinks the Kuala Lumpur Composite Index (KLCI) will likely test the 1,400 to 1,500 point level within the next two to three years.

The KLCI closed at 1008.87 yesterday, down by 0.49 point on profit-taking activity after three days of strong gains.

Capital Dynamics has been on a stock-shopping spree over the last few months, Tan said. It owns shares in KL Kepong, Keppel Corp, Parkson, Tesco and Bank of East Asia, among others.

The group's recently-opened Australian office Capital Dynamics (Australia) Ltd will manage the iCapital International Value Fund that was launched yesterday.

This is a global open-ended fund denominated in the Australian dollar, meant for retail investors here and Down Under.

Tan said the fund, which will be invested in value stocks in 42 markets, is targetting an annual return of between 15 per cent and 20 per cent. The minimum initial investment is A\$20,000 (A\$1 = RM3.00).

Capital Group also has offices in Malaysia and Singapore.

On the global financial crisis, Tan said the severe economic contraction can be almost entirely blamed on the collapse of US investment bank Lehman Brothers last September.

"Without the policy flip-flop of the previous US administration in not rescuing Lehman, it would have been pretty much 'business as usual' for us," he remarked.

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